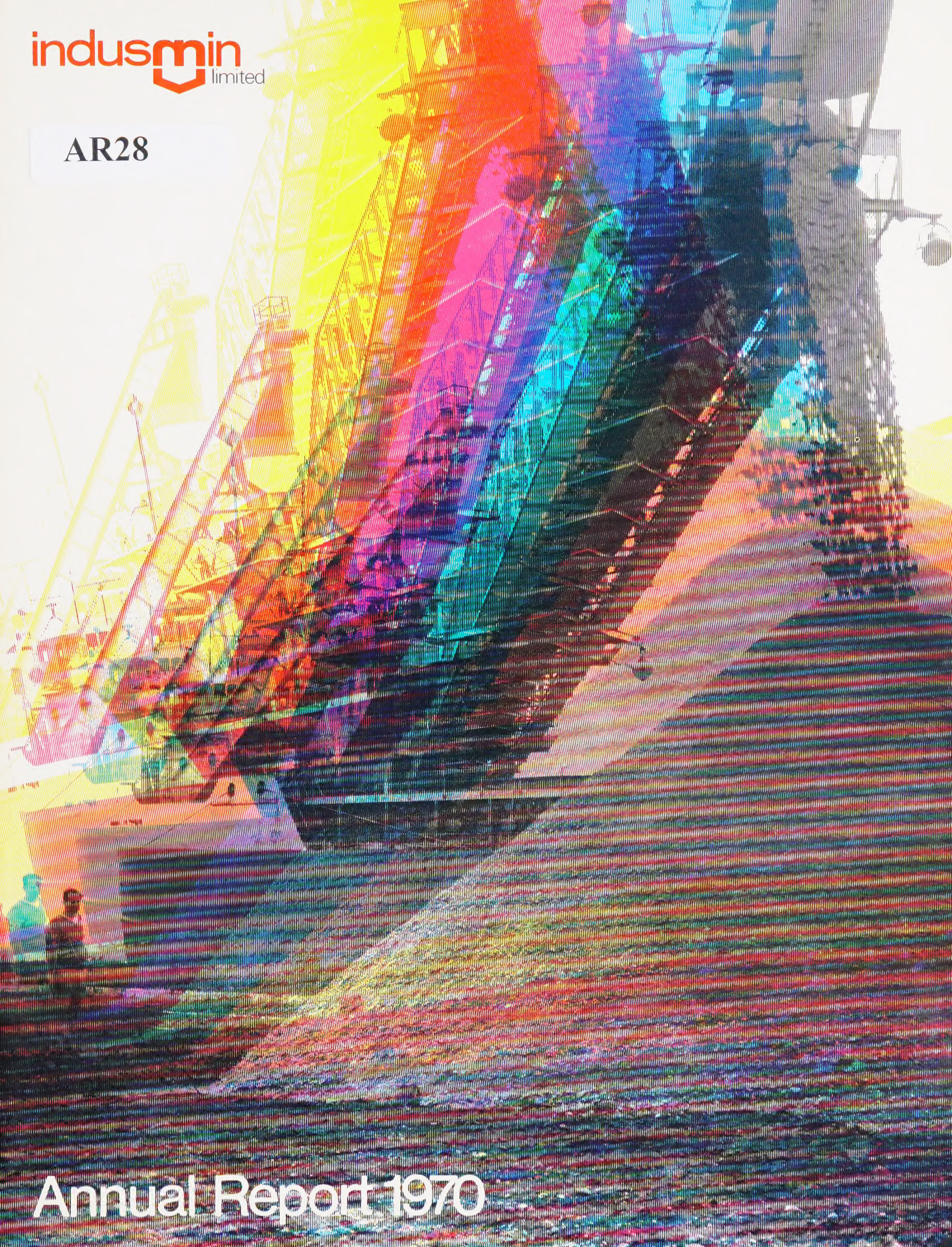
indusmin limited



Annual Report 1970

indusmin limited

Year in brief

OPERATING SUMMARY

Net sales	$ 9,736,136
Depreciation, amortization and depletion	1,141,593
Net income before income tax	1,449,267
Income tax	504,668
Net income before special credit	944,599
Net earnings	1,427,899
Cash recovered from operations	2,667,982
Dividends paid	583,950

FINANCIAL POSITION

Current assets	$ 4,011,184
Current liabilities	6,680,072
Working capital deficiency	2,668,888
Equity	12,654,047

PER SHARE

Net income before special credit	$ .81
Net earnings	1.22
Dividends paid	.50
Equity	10.83
Cash recovered from operations	2.28

MISCELLANEOUS

Issued capital—shares	1,167,901
Number of shareholders	3,316
Number of employees	346

Shares listed—
Toronto Stock Exchange
Canadian Stock Exchange

The Annual Meeting of the Shareholders of Indusmin Limited will be held in the Toronto Room of the King Edward Hotel, 37 King Street East, Toronto, on Monday, April 12, 1971, at the hour of 11:00 o'clock in the forenoon.

This year's cover illustrates the unloading of ore for processing at your company's new plant at Midland, Ontario. The ore is transported by ship from the mine site at Badgeley Island to Midland, 120 miles away.

Head Office

7 King Street East, Toronto 210

Directors

F. R. Archibald—Toronto, Ontario
Consulting Metallurgist
Falconbridge Nickel Mines Limited

F. D. Hart—Arlington, Virginia
Managing Director—American Gas Association, Inc.

K. Dunn—Toronto, Ontario
Controller, Falconbridge Nickel Mines Limited

E. L. Healy—Toronto, Ontario
Executive Vice-President Operations—Falconbridge Nickel Mines Limited

J. J. Mather—Toronto, Ontario
Vice-President Industrial Minerals Division—Falconbridge Nickel Mines Limited

*R. E. Paré—Montreal, Quebec
Executive

G. T. N. Woodrooffe—Toronto, Ontario
Vice-President Corporate Affairs—Falconbridge Nickel Mines Limited

*Appointed February 8, 1971

Officers and Senior Management

J. J. Mather	—*President and Managing Director*
F. R. Archibald	—*Vice-President*
D. D. Anderson	—*Secretary*
J. D. Krane	—*Treasurer*
G. E. Dale	—*Controller*
G. E. Armstrong	—*General Manager Administration*
D. C. McDonald	—*Vice-President Engineering*
D. G. Minnes	—*General Manager Corporate Development*
R. C. Wilson	—*Director of Research*
C. M. Woodruff	—*Vice-President Operations*
W. B. Midgette	—*Manager Nepheline Syenite Division*
R. S. Grindley	—*Manager Silica Division*
J. Sutherland	—*Manager Aggregates Division*

Subsidiaries

American Nepheline Corporation—Wholly owned
Suite No. 6, 11 West Cooke Road, Columbus, Ohio 43214

Klukwan Iron Ore Corporation—93% Voting interest
Suite 201, 311 Franklin Street, Juneau, Alaska

Transfer Agents

Crown Trust Company,
302 Bay Street, Toronto

Auditors

McColl, Turner & Co.,
Peterborough, Ontario

Solicitors

Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street, Toronto, Ontario

Statistical summary

The ten-year summary formerly included in the annual reports has been replaced by the five-year summary set out below to give retroactive effect throughout the period to the following accounting changes:

(a) The adoption of the pooling of interests basis of accounting for those companies—Acton Limestone Quarries Limited (1967), Industrial Minerals of Canada Limited (1968) and Q.M.I. Minerals Limited (1968)—which amalgamated to form Indusmin Limited. The figures now combine the results of the constituent companies prior to the various amalgamation dates.

(b) The adoption in 1969 of the tax allocation basis of accounting for corporate income taxes.

	1966	1967	1968	1969	1970
Sales	$5,666,318	$6,532,634	$7,379,255	$8,219,557	$9,736,136
Income before write-offs and taxes	2,060,006	2,091,854	2,311,651	2,731,106	2,590,860
Depreciation, amortization and depletion	1,112,149	1,007,101	1,088,730	1,064,430	1,141,593
Expenditures on land, mining properties, plant, equipment and mine development	393,793	2,296,070(3)	1,970,946	4,862,124	3,450,202
Corporation, mining and income taxes	381,600	287,096	519,789	603,858	504,668
Net income	566,257	797,657	703,132	1,062,818	944,599
—per share	.53	.68	.60	.91	.81
Special credit		526,000	526,300	567,000	483,300
Net earnings after special credit	566,257	1,323,657	1,229,432	1,629,818	1,427,899
—per share	.53	1.13	1.05	1.40	1.22
Shareholders' equity at December 31	9,505,954	11,807,986	11,056,206	11,810,098	12,654,047
—per share	8.91	10.11	9.47	10.11	10.83
Dividends (2)	471,270	550,113	825,325	875,926	583,950

NOTES:

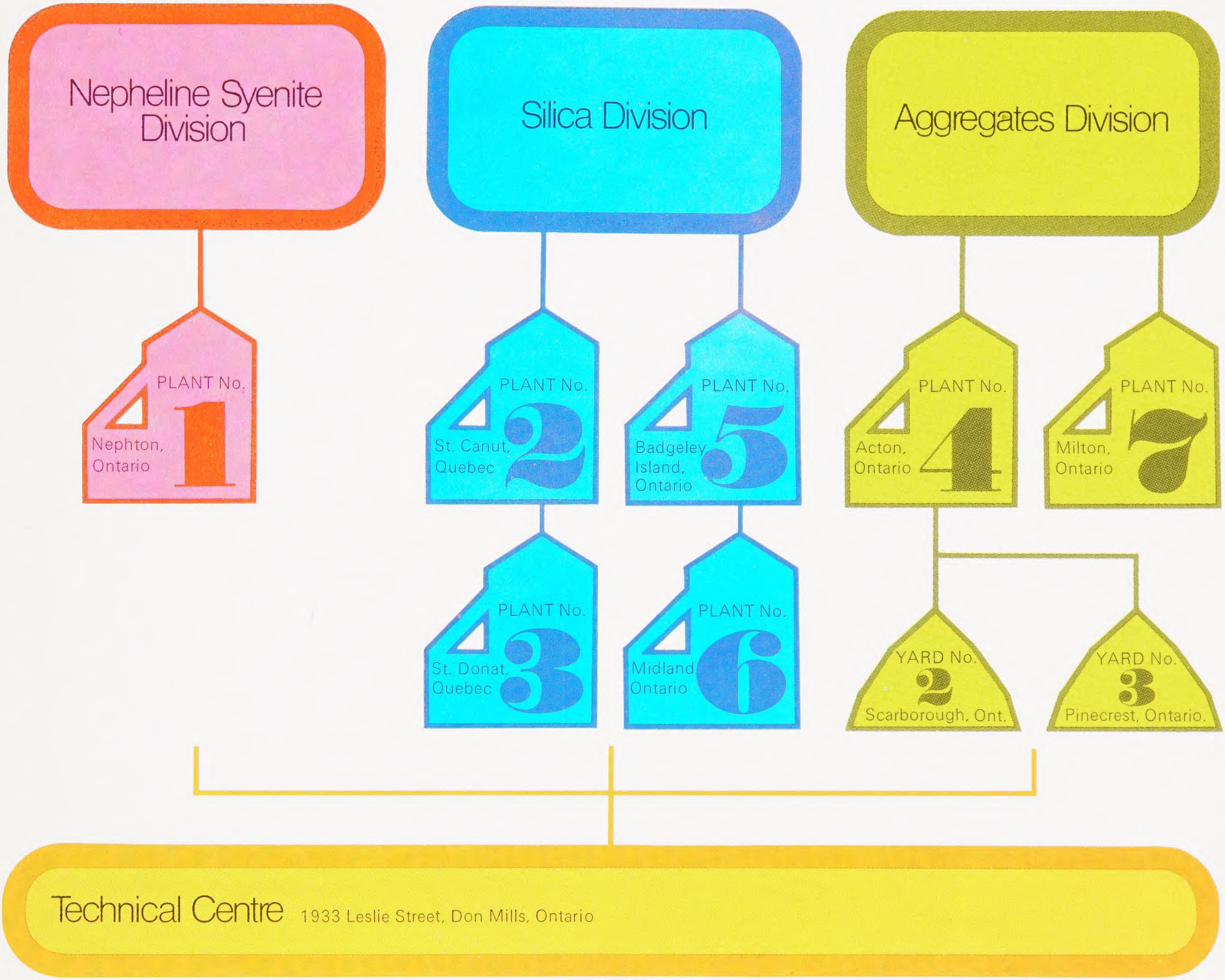
1. The per share calculations are based upon the number of shares outstanding at the end of each year expressed in terms of the present shares of Indusmin Limited.

2. The dividends paid by the constituent companies based upon the number of their shares outstanding were as follows:

	1966	1967	1968	1969	1970
Industrial Minerals of Canada Limited	55¢	60¢	75¢		
Q.M.I. Minerals Limited			10¢		
Indusmin Limited				75¢	50¢

3. Financed in part by the issue of 60,000 shares to the vendors for $984,970.

Operations



Product Applications

	Container Glass	Sheet Glass	Fibre Glass	Concrete Products	Paint	Vinyl Plastic	Ceramics	Foundry	Construc-tion	Asbestos Pipe	Abrasives	Foam Rubber
Nepheline Syenite	●	●	●		●	●	●					●
Silica	●	●	●	●	●		●	●	●	●	●	
Aggregates				●					●			

To the Shareholders

SALES

	1970	1969
Total billings	$15,695,404	$13,090,830
Less: freight prepaid	5,959,268	4,871,273
Reported Sales Volume	9,736,136	8,219,557
Accounts receivable	2,761,959	2,025,251
Ratio: receivables to billings	17.6%	15.5%

The 1970 sales volume exceeded that of 1969 by 18.5%. The 1970 figure, however reflects the acquisition in April of Halton Crushed Stone Limited, and the first sales of the Ontario Silica Division. On a strictly comparable basis, sales in 1970 were 5.9% higher than in the previous year.

Sales by Quarter

	1970		1969	
First	$1,750,114	(18.0%)	$1,684,660	(20.4%)
Second	2,417,826	(24.8%)	2,128,427	(25.9%)
Third	2,929,482	(30.1%)	2,266,684	(27.6%)
Fourth	2,638,714	(27.1%)	2,139,786	(26.1%)
	$9,736,136	(100.0%)	$8,219,557	(100.0%)

FINANCIAL

Earnings

		1970	1969
Net income—before special credit		$ 944,599	$ 1,062,818
	—per share	.81	.91
	—as a percentage of sales	9.7	12.9
Add:	—special credit	$ 483,300	$ 567,000
Net earnings for the year		$ 1,427,899	$ 1,629,818
	—per share	1.22	1.40

Net earnings before the special credit as a percentage of sales declined from 12.9% in 1969 to 9.7%. Among the factors contributing to this decline were rising costs, non-recurring costs related to the acquisition of Halton Crushed Stone Limited, the reduction in revenue from export sales resulting from revaluation of the Canadian dollar, and interest costs of $366,094 on funds borrowed to finance corporate expansion programs. The entire holding of Dominion Magnesium Limited, 7,000 shares with a book value of $98,000, was sold for $56,000 and a loss on disposal of $42,000 was recorded in the Earnings Statement.

Cash Flow

	1970	1969
Cash recovery from operations:	$2,667,982	$2,707,443
—per share:	2.28	2.32
Expenditures on land, plant, equipment, and mine development:	$3,448,649	$4,767,395

The major capital expenditure in 1970 was for the erection of plant in the Ontario Silica Division. The first phase of this project has been completed, consequently capital expenditures in 1971 will drop appreciably. This should permit a substantial reduction in the bank loan, which rose to unanticipated levels due to the delays incurred in bringing the Ontario Silica Division into production.

Dividend payments in 1970 (50 cents per share) amounted to $583,950, bringing the total of such disbursements since inception to $5,361,640. Whereas the dividend payment in 1969 included an extra of 25 cents per share, only the regular dividend of 50 cents per share was declared in 1970 to conserve working capital.

RESEARCH AND DEVELOPMENT

The space occupied by the Research Laboratory in Don Mills was doubled during the year to accommodate an ever-expanding workload. In addition to the maintenance of the continuing program related to product development and application in the fields of glass, ceramics, plastics and paint, the laboratory personnel conducted testing and quality control programs for associated companies in the selection and application of refractories. These custom services are to be expanded and diversified in 1971.

The laboratory personnel were otherwise engaged, on a priority basis, with the task of solving the processing problems encountered at Midland and the improving of efficiency and mill recoveries at all locations. The latter efforts continue to have priority status in our endeavor to offset the rising trends in production costs.

EXPLORATION ACTIVITIES

The 1969 report referred to the Company's exploration license on 7,000 acres in Northern Ontario. The initial drilling was done in 1970, and although we did not encounter economic quantities of kaolin, the evaluation of samples and data continues. The prospects, however, are not encouraging. Many industrial mineral prospects in Western Canada received examination in anticipation of extensive industrialization of these regions in the future. Indusmin's application to the Government of British Columbia for the mineral rights to a deposit of felds-pathic sand was favorably received and exploration work was initiated. A bento-nite deposit of some promise received scrutiny and we are negotiating with the owners seeking participation. Two acqui-sition opportunities in the United States were evaluated and turned down.

Your management continues the search for profitable diversification and growth.

ENVIRONMENTAL CONTROL

The management of the Company has long recognized its responsibility in the matter of environmental control. Essen-tially, there are but two basic problems, the maintenance of a satisfactory site appearance and the control of dust emissions.

All Indusmin operations employ open-pit mining methods and the resultant "scar" on the landscape is difficult to obscure. With the guidance of professional land-scape architects, plans for continuous programs of site rehabilitation have been developed and are being implemented as required. The inclusion of collection equipment to prevent dust emissions has been an integral part of all plant installa-tions, representing an investment in excess of 10% of the total capital costs.

KLUKWAN IRON ORE CORPORATION

The Indusmin holding in Klukwan consists of a 93.8% voting interest and a 71.1% interest in profits.

Klukwan at December 31 had working capital of (U.S.) $227,197. Net earnings in 1970 amounted to (U.S.) $35,799. Your Company's share of the 1970 dividend was (U.S.) $28,400.

Klukwan's principal asset is a large low-grade iron deposit in Alaska. This property is under lease to the United States Steel Corporation until the year 2036. The annual minimum royalty is $45,000 until 1971 and $100,000 there-after. Recently, U.S. Steel requested Klukwan's permission to grant to Japanese interests for two years an option to sublet the property. Permission will be granted if satisfactory terms can be negotiated. This advice should be construed at this time as only an indication of sufficient interest on the part of the optionee to undertake an evaluation.

INDUSMIN SHAREHOLDERS

There were 3,316 shareholders at December 31, 1970. Falconbridge Nickel Mines Limited held 805,762 shares, approximately 69% of the 1,167,901 shares issued.

OUTLOOK FOR 1971

There are many indications that the economy will provide moderate gains in 1971. A resurgence of activity in the construction and automotive industries would materially benefit the Company's sales. We believe that the plant start-up problems which the Ontario Silica Division experienced, have been largely overcome. The first regular deliveries to customers from this Division will begin in February and a gradual increase in market penetration will occur as the year progresses.

BOARD OF DIRECTORS

With a profound sense of loss, we advise the shareholders of the death in 1970 of two valued members of the Board of Directors of your Company. Mr. Pierre Dessaulles and Mr. John T. McWhirter devoted much of their time and efforts to Indusmin affairs and their contribution was highly valued by their fellow Directors and the Company's employees.

Mr. F. R. Archibald, a Vice-President of Indusmin and Vice-President, Metallurgy and Research of Falconbridge Nickel Mines Limited retired at the end of 1970. His resignation was accepted with regret on February 8, 1971. For more than 25 years, Mr. Archibald had actively parti-cipated in the formulation and conduct of your Company's research programs. Mr. Kenneth Dunn, Controller of Falconbridge Nickel Mines Limited, was appointed a Director of Indusmin in September 1970.

Mr. Richard Paré, formerly President of Paré and Quart Limited of Montreal, and Mr. W.E. Curry, President of Gage Envelopes Limited, have agreed to serve on the Board. Both of these gentlemen have extensive business experience and are well qualified to direct the affairs of your Company.

GENERAL

The Directors gratefully acknowledge the individual and collective contributions of Indusmin employees, for many of whom 1970 has been a difficult year. The continuing loyalty of our 1,800 customers remains a source of much satisfaction. To the many staff specialists in the Falcon-bridge Nickel Mines Limited engineering, research and financial departments who have provided us with expert assistance, a special word of thanks.

On behalf of the Board,

J.J. Mather
President and Managing Director

February 8, 1971

Nepheline Syenite Division

Manager: W. B. Midgette
Mine Manager: D. C. Cook

SALES ·	1970	1969
Sales volume:	$4,000,749	$3,983,458
Percentage of total sales:	41.1	48.5

As reported last year, sales in this division received unusual support in 1969, due to the shortage of feldspar production capacity in the United States. Plant expansions at two locations in North Carolina relieved this situation and a return to normal occurred early in 1970. This factor, plus the depressed state of the economy restricted us to a very modest gain in sales. The revaluation of the Canadian dollar hit this division particularly hard, affecting 68% of the total sales volume. Market conditions did not permit compensating price increases.

PRODUCTION

The ore added to indicated reserves in 1970 equalled the consumption, maintaining the 25-year supply position established several years ago.

The daily productivity of the milling plant was improved by 11% over 1969, making an important contribution in our struggle to offset the effects of inflation.

Capital expenditures in 1970 amounted to $347,922. For the most part, these funds were employed for the improvement of plant and equipment and replacements of a minor nature. Expansion of the fine-grinding section of the milling plant was initiated and will be completed in 1971.

LABOR

The labor contract expired on October 11, 1970. A new contract, expiring October 11, 1972, was signed in January 1971. This contract provides for wage increases of 10% in the first year and 7% in the second year in addition to substantial improvements in the employee welfare programs.

Minex is used as an extender in the manufacture of paint and is being added to a paint batch. The unique chemical properties of Minex provide lasting quality and a brighter appearance to paints.

The camera records a significant milestone in your company's history. The four millionth ton of Nepheline Syenite was recently shipped from the plant at Nephton, Ontario.

Aggregates Division

Manager: J. Sutherland
Mine Manager: D. L. Murdy

SALES	1970	1969
Sales volume:	$2,435,110	$1,664,428
Percentage of total sales:	25.0	20.2

As mentioned previously, the acquisition of the Halton operations in April gave rise to an abnormal increase in sales in 1970 in comparison with the previous year. Excluding the Halton contribution to sales, the performance of the division was quite good in spite of the general decline in demand due to high-lending rates and a tight money supply.

We anticipate improvement in 1971. There is a large and unsatisfied demand for housing in the market area and many highway and other development projects were postponed for implementation after 1970.

PRODUCTION

A major corporate development during the year was the acquisition, by a leasing arrangement, of the operations of Halton Crushed Stone Limited. This lease is for a period of ten years, renewable thereafter for an additional thirty years in increments of five years. The Halton operations complement those of Acton: whereas deliveries from the latter are restricted mainly to rail; Halton ships by truck. As a result, the market territory for the division was extended and we can now offer two sources of supply and both modes of transport. The two operations have been totally integrated, effecting significant reductions in administrative, sales and other overhead costs.

There were no additions to the Acton ore reserves in 1970; however, the estimated 50-year supply position is quite sufficient. An exact delineation of the reserve position at Halton has not been made; however the apparent reserves are adequate for many years. The lease agreement provides that should the ore at any time be depleted, Indusmin has the right to terminate.

The Province of Ontario in 1970 enacted legislation governing the operation and subsequent rehabilitation of pits and quarries. Indusmin was granted permits to operate at both Acton and Halton. These permits are for six months, renewable thereafter if compliance with the rules and regulations continue and progressive site improvement and rehabilitation occurs in accordance with the Company's Government-approved plans. We do not anticipate any unusual difficulty with this legislation and, in fact, your Company had initiated site rehabilitation programs several years before this legislation was introduced.

Capital spending in 1970 amounted to $121,971.

LABOR

The Acton agreement expired October 31, 1970. A new agreement had not been concluded at the time of writing; however, this is not indicative of any unusual strife or difficulty. The Halton employees are not unionized.

Indusmin Construction Aggregates are used extensively in the construction and paving of roads and highways in the Metropolitan Toronto area.

Silica Division
Quebec operations

Manager: R. S. Grindley
Mine Manager: R. Lavertu

SALES	1970	1969
Sales volume:	$2,902,417	$2,571,671
Percentage of total sales:	29.8	31.3

The gain in sales in comparison with 1969 was a healthy 13%. The demand in the first nine months, before the Ontario operations initiated production and picked up part of the demand, strained the plant capacity.

EXPROPRIATION

The shareholders have been advised on several occasions of the Federal Government's intention to expropriate certain properties and assets of the Company at St. Canut for the construction of a new airport. It is distressing to have to report once again that this issue is still far from being resolved. As matters now stand, it would appear that a portion of the ore body will be expropriated, and if such is the case, we are entitled to compensation. The plant, and access thereto, we are advised, will be left intact. The ore remaining in our possession will be sufficient to sustain operations for several years. If, however, operations at St. Canut must be terminated we could relocate—assuming we receive proper compensation—and develop the Company's ore deposit at Ste. Scholastique some 14 miles distant from St. Canut.

PRODUCTION

A discussion of the ore reserve position, not knowing the outcome of expropriation proceedings, would serve no useful purpose at this time. A major new ore section at St. Canut was proven during the year and stripping operations were completed in preparation for mining operations which will begin in the second quarter of 1971.

In 1970, 84% of the ore processed was supplied from the St. Canut deposit and the remainder from St. Donat. The distant location of this latter deposit and the higher transportation costs involved restrict the market.

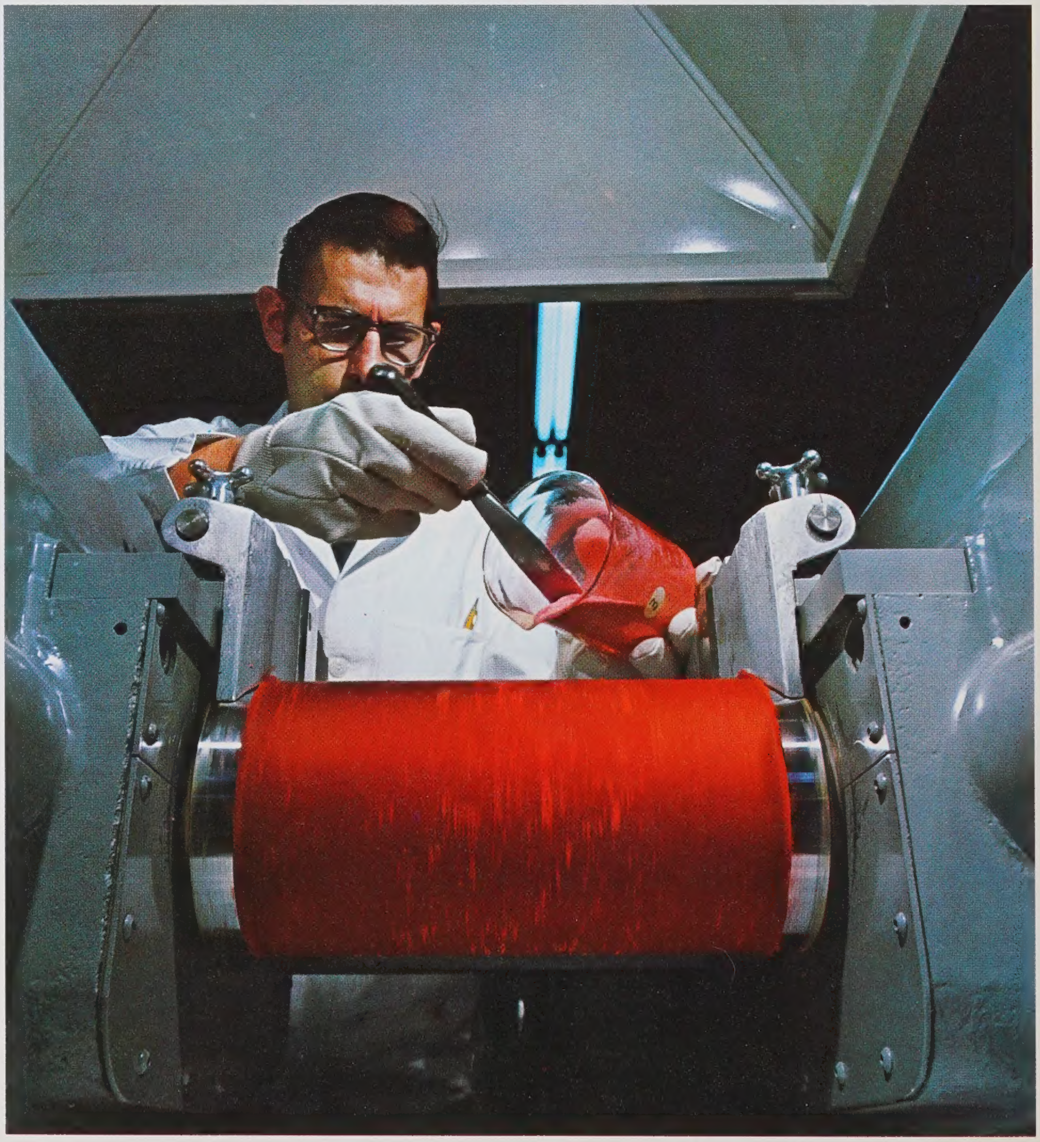
Capital expenditures in 1970 of $57,620 were limited to essentials. The same restrictions will prevail until final disposition of the expropriation issue is known.

LABOR

The labor contract at St. Donat expired on July 12. A new agreement, with a duration of two years, was negotiated without incident. The St. Canut agreement expired January 12, 1971, and negotiations were initiated prior to the year end.

The glass industry is a major market for Indusmin. Nepheline Syenite and Silica are both used as a raw material in the production of many glass and fibre glass products.

A section of the Technical Centre showing development tests for PVC plastic



Ontario operations

Mine Manager: A. R. Watt

SALES	1970
Sales volume:	$397,860
Percentage of total sales:	4.1

This operation consists of a crushing plant at Badgeley Island and a secondary process plant at Midland. The Badgeley plant supplies crude ore to Midland as well as to end-users in the steel industry. These latter deliveries only are included in the sales volume reported because the processing problems in the Midland plant severely restricted the production capacity.

PRODUCTION

The construction schedule called for completion of the Badgeley plant in October of 1969; however due to strikes and late equipment deliveries, completion did not occur until early spring. The first shipment was made in May when navigation opened.

The Midland plant was completed late in the second quarter of 1970, three months behind schedule, and start-up operations initiated. The fine-grinding section of the mill operated satisfactorily and product deliveries were initiated and maintained. However, regular deliveries of melting sand, the principal product, could not be sustained due to the failure of the sand classification circuit to perform up to expectations. By December, this circuit had been modified, a satisfactory product attained and trial quantities were delivered to the potential consumers. We anticipate a normal build-up of sales commencing early in the first quarter of 1971.

The several and protracted delays encountered were costly. Construction costs were inflated, and the projected contribution to earnings from these operations was not realized.

Capital expenditures on this project in 1970—amounting to $2,061,268—bring the total outlay since the commencement of construction in 1969 to $5,820,647. The estimated total cost to completion in 1971, including modifications to the Midland plant, will be $6,019,971, 13% over budget.

For accounting purposes, all operating expenses incurred at Midland, less the sales revenue, have been accumulated as deferred-development expenses to be written off over a period of twelve to fifteen years. The amount in this account at the year end was $356,421.

LABOR

The labor contracts for both Killarney and Midland will expire on April 30, 1971.

Sandblasting to clean walls of buildings is a valuable application of Indusmin Silica

Site Rehabilitation

Elsewhere in this report, reference was made to your company's programs for the progressive rehabilitation of the various quarry sites.

The scale model in the photo was constructed to assist in the formulation of long-range plans for the mining and concurrent rehabilitation of the Acton quarry. As mining operations advance, restoration measures follow; the soil is replaced, trees are planted and the quarry walls are sloped and landscaped. The model illustrates the end result. The quarry has been transformed into an attractive 800 acre site ready for re-development.

Shareholders' Equity
Working Capital

Shareholders' Equity

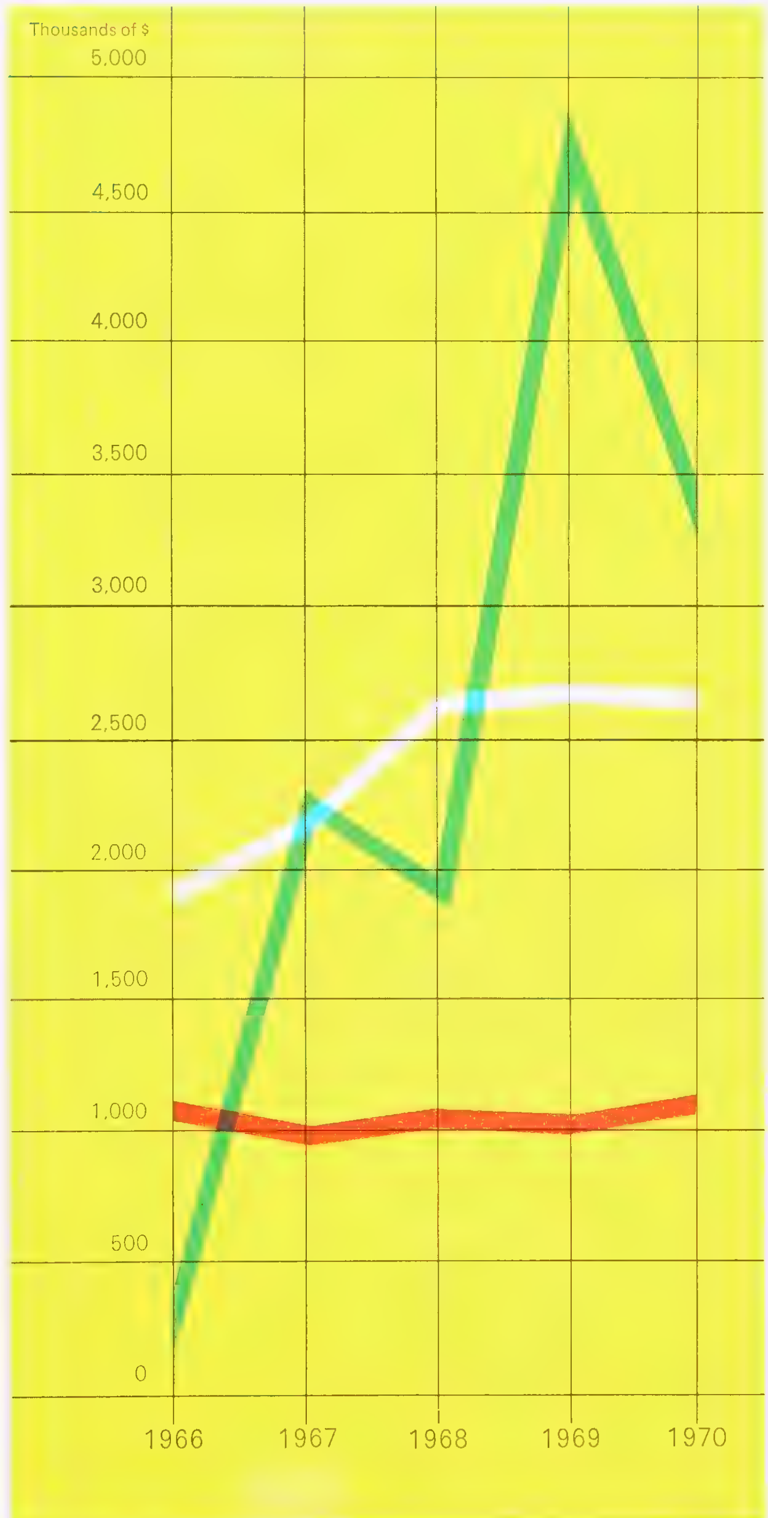
Working Capital

Cash Flow
Depreciation
Capital Expenditures

Cash Flow

Capital Expenditures

Write-offs



Consolidated Balance Sheet

as at December 31, 1970

ASSETS	1970	1969
CURRENT		
Cash	$ 14,548	$ 22,679
Short term investments, at cost, approximately market value	4,267	1,564,344
Accounts receivable for product and freight	2,761,959	2,025,251
Inventories of crude ore and finished products—valued at the lower of cost or net realizable value	1,109,916	466,987
Prepaid expenses and other current assets	120,494	149,268
	4,011,184	4,228,529
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES, at cost		
Subsidiary company (note 1)	321,053	321,053
Associated and other companies (approximate market value $2,400,263)	447,313	545,313
	768,366	866,366
FIXED		
Buildings, plant and equipment, at cost	22,772,028	20,095,527
less:		
Accumulated depreciation	11,373,044	10,382,941
	11,398,984	9,712,586
Mining properties and land, less depletion	1,017,411	1,012,038
	12,416,395	10,724,624
OTHER		
Mine and mill supplies, at cost	685,873	505,744
Deferred development expenditures, less amounts written off	894,647	279,851
Other mining properties and expenditures thereon	688,891	687,338
Special refundable tax	—	41,647
Loan receivable, secured	12,960	13,432
	2,282,371	1,528,012
	$19,478,316	$17,347,531

indusmin limited

(incorporated under the laws of Canada)

LIABILITIES

	1970	1969
CURRENT		
Bank advances	$ 5,906,443	$ 4,057,504
Note payable	—	200,000
Accounts payable and accrued charges	733,582	1,050,560
Estimated income and mining taxes payable	10,374	29,178
Principal payments on mortgage loans due within one year	29,673	26,149
	6,680,072	5,363,391
LONG-TERM		
Mortgage loans, less amounts due within one year	144,197	174,042
SHAREHOLDERS' EQUITY		
Capital		
Authorized—2,000,000 shares with no par value		
Issued and fully paid—1,167,901 shares	10,854,014	10,854,014
Retained earnings	1,800,033	956,084
	12,654,047	11,810,098
	$19,478,316	$17,347,531

Approved by the Board:

J. J. MATHER, *Director*

G. T. N. WOODROOFFE, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Indusmin Limited and its wholly-owned subsidiary company as at December 31, 1970 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Indusmin Limited and its consolidated subsidiary as at December 31, 1970 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McColl, Turner & Co

Peterborough, Canada
February 4, 1971

McColl, Turner & Co.
Chartered Accountants

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended December 31, 1970

	1970	1969
Sales of all products	$9,736,136	$8,219,557
Cost of products sold	5,544,852	4,490,546
Selling, general and administrative expenses	1,692,156	1,222,039
	7,237,008	5,712,585
Operating profit before providing for depletion, development expenditures and depreciation	2,499,128	2,506,972
Depletion of limestone deposits	12,508	12,335
Development expenditures written off	25,607	32,184
Depreciation of plant and equipment	1,103,478	1,019,911
	1,141,593	1,064,430
Operating profit	1,357,535	1,442,542
Income from investments	133,732*	190,070*
Profit (loss) on sale of investments (note 4)	(42,000)	34,064
	1,449,267	1,666,676
Provision for mining and income taxes:		
Currently payable (note 4)	21,368	36,858
Deferred income taxes	483,300	567,000
	504,668	603,858
Net income before the undernoted special credit	944,599	1,062,818
Special credit (note 3)	483,300	567,000
Net earnings for the year	1,427,899	1,629,818
Retained earnings, beginning of year	956,084	202,192
	2,383,983	1,832,010
Dividends paid	583,950	875,926
Retained earnings, end of year	$1,800,033	$ 956,084

*Including in 1970 dividends of $87,341 received from associated companies ($86,289 in 1969).

indusmin limited

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1970

	1970	1969
SOURCE OF FUNDS		
Net earnings for the year	$1,427,899	$1,629,818
Charges against operations for depletion, depreciation, deferred development and other expenditures which did not in themselves require a cash outlay during the year	1,240,083	1,077,625
	2,667,982*	2,707,443*
Refund of special refundable tax	41,647	17,710
	2,709,629	2,725,153
APPLICATION OF FUNDS		
Expenditures on land, plant, equipment and mine development	3,448,649	4,767,395
Expenditures on other mining properties	1,553	94,729
Dividends paid to shareholders	583,950	875,926
Provision for payments on mortgage loans	29,845	26,149
Provision for payment of note	—	200,000
Expenditures on sundry other assets	179,657	200,604
	4,243,654	6,164,803
DECREASE IN WORKING CAPITAL	1,534,025	3,439,650
WORKING CAPITAL DEFICIENCY, beginning of year	1,134,862	(2,304,788)
WORKING CAPITAL DEFICIENCY, end of year	$2,668,887	$1,134,862

*Including funds derived from the sale of investments of $56,000 in 1970 ($36,111 in 1969).

STATEMENT OF INVESTMENT IN SHARES OF SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES

as at December 31, 1970

	Number of shares	Indicated market value (note A)	Cost
SUBSIDIARY COMPANY:			
Klukwan Iron Ore Corporation (note B)	2,840,000		$321,053
ASSOCIATED AND OTHER COMPANIES:			
Falconbridge Nickel Mines Limited	16,759	$2,371,398	433,196
Quebec Cobalt and Exploration Limited	43,200	25,920	4,968
Other		2,945	9,149
		$2,400,263	$447,313
Total investment in shares of subsidiary, associated and other companies			$768,366

NOTES:

A. The market values shown above are based on closing market prices at December 31, 1970. The indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold due to the number of shares involved.

B. The company owns 95.6% of the Class A shares of Klukwan Iron Ore Corporation; this represents a 93.8% voting interest and a 71.1% interest in profits of Klukwan.

Notes to Consolidated Financial Statements

1. The consolidated financial statements for 1970 reflect the financial position and the results of the operations of Indusmin Limited and the wholly-owned subsidiary company, American Nepheline Corporation.

The financial statements of the partially-owned subsidiary company, Klukwan Iron Ore Corporation, have not been consolidated with those of Indusmin Limited. The investment in the shares of this company is carried at cost. In 1970 Klukwan Iron Ore Corporation declared a dividend—the company's portion of which was \$(U.S.) 28,400—which dividend exceeded by 13% the accumulated earnings to December 31, 1970. The dividend, less U.S. non-resident tax thereon, has been included in net earnings for the year.

2. Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current quoted rates of exchange at December 31, 1970 except fixed assets and the related accumulated depreciation which have been translated at the rates prevailing when the expenditures on fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates of exchange prevailing when the expenditures on the related fixed assets were made.

3. As at January 1, 1970 the company—and the predecessor companies—had charged in net total, greater amounts of depreciation against earnings than had been claimed as capital cost allowance in determining taxable income. These were offset, in part, by development expenses claimed for tax purposes in the year of expenditure but not as yet completely charged against earnings. As a result, the company had available at that date, under the deferred tax allocation method of accounting for corporate income taxes, an accumulation of charges against earnings which had not been claimed for tax purposes and, thus, were potentially available for tax purposes in future years.

The tax equivalent of this accumulated amount at January 1, 1970—calculated at current tax rates was \$1,125,700. There has been applied against this amount \$483,300 being the deferred income taxes for 1970 leaving \$642,400 which should be available to offset taxes arising from similar timing differences in future years.

4. The format of the financial statements has been changed to include in the calculation of net earnings for the year profits (losses) on the sale of investments and adjustments with respect to prior years' corporate taxes. The net earnings for 1969 as previously reported have been restated to record a profit of \$34,064 on sale of investments and an additional provision for prior year corporate taxes of \$3,104—which items were previously included in the consolidated statement of retained earnings.

5. The consolidated statement of earnings and retained earnings includes interest expense of \$366,094 in 1970 (\$112,028 in 1969).

6. The board of directors of the parent company, Indusmin Limited, consists of seven directors whose remuneration as directors totalled \$4,158 in 1970. There are thirteen officers and senior managers, two of whom are also directors of the company. The remuneration of the officers and senior managers aggregated \$260,299 in 1970. No remuneration of directors, officers or senior managers of the parent company has been included in the accounts of the subsidiary companies.

7. In March 1969 the Canadian Government expropriated a portion of the company's property near St. Canut, Quebec for the construction of the new Montreal International Airport—which property contains part of the company's ore reserves. Subsequent negotiations, which have not as yet been completed, indicate that some of the expropriated property may be released to the company and that the company will be compensated for the remainder.

8. The company in 1970 leased certain mineral properties and equipment from Halton Crushed Stone Limited for a five-year period subject to options to renew for further five-year periods. The agreements provide for an annual rental of \$90,000 plus a participation in profits arising from production from the properties and a royalty on the products sold.

9. The company has received claims for additional compensation totalling \$750,000 with respect to the construction of mining and shipping facilities at Badgeley Island and milling facilities at Midland. These claims, which arise chiefly from delays during construction, in the opinion of the company are not legitimate and have not been accepted. The construction contracts contain provisions for arbitration.

Shown here is one of a new series of Indusmin advertisements designed to illustrate the important relationship between the ore and the end use.

Indusmin Ingenuity

. . . for 35 years, has supplied the glass and ceramic industries with the best mineral products and application technology available . . . excellence begins here in an Indusmin quarry.

indusmin limited

7 King Street East, Toronto 210, Ontario.

indusmin limited

7 King Street East, Toronto 210, Ontario, Canada.

PRINTED IN CANADA